IOWA | Department of Revenue

Research Activities Tax Credit Annual Report

For the Period January 1 – December 31, 2025

February 15, 2026

Reporting Requirements

Iowa Code sections 422.10(5) and 422.33(5)(h) require the Iowa Department of Revenue to produce an annual report on individuals and corporations that claim the Iowa Research Activities Tax Credit. This report considers Research Activities Tax Credit and Supplemental Research Activities Tax Credit claims processed during calendar year 2025. *In 2025, Iowa repealed the Research Activities Tax Credit and Supplemental Research Activities Credit effective January 1, 2026. Tax credits may still be claimed for tax years beginning on or after January 1, 2025 but before January 1, 2026. The tax credit program will be fully repealed on January 1, 2027.*

By law, the Department must report:

- The total amount of Research Activities Tax Credit and Supplemental Research Activities Tax Credit claims.
- The total amount of Research Activities Tax Credit and Supplemental Research Activities Tax Credit claims paid as refunds.
- The name of each claimant for whom a Research Activities Tax Credit in excess of $500,000 was earned and the amount of the tax credit received.

Tax Credit Eligibility

To qualify for the Iowa Research Activities Tax Credit, in accordance with Internal Revenue Code Section 41, businesses must conduct research in Iowa that is:

- Experimental;
- Undertaken to discover information that is technological in nature; and
- Aimed at the development of a new product.

Qualified research expenditures include expenses incurred in Iowa on:

- Wages;
- The cost of supplies;
- The rental or lease cost of personal property (before January 1, 2023); and
- Contract expenses.

The Research Activities Tax Credit is an incremental credit, which means only research expenditures that exceed a base amount are eligible for the credit. In addition to the Research Activities Tax Credit, companies can also be awarded the Supplemental Research Activities Tax Credit by the Iowa Economic Development Authority.

During the 2018 and 2019 Legislative sessions, the Iowa Research Activities Tax Credit was limited, retroactively for tax years beginning on or after January 1, 2017, to businesses conducting qualified research that are engaged in manufacturing, life sciences, agriscience, software engineering, or the aviation and aerospace industry. Ineligible businesses include but are not limited to those engaged in agricultural production, those that are an agricultural cooperative, finance or investment company, retailer, wholesaler, transportation company, publisher, real estate company, collection agency, accountant, or architect, or those that are a contractor, subcontractor, builder, or contractor-retailer engaging in commercial and residential repair and installation including but not limited to heating or cooling installation and repair, plumbing and pipe fitting, security system installation, and electrical installation and repair. In addition, to be eligible to claim the Iowa credit, Iowa law requires that the researching entity must claim and be eligible for the Federal Credit for Increasing Research Activities under IRC section 41 for the qualified research expenses for the same taxable year.

During the 2022 Legislative session, several changes were made to the Research Activities Tax Credit that apply to tax years beginning on or after January 1, 2023:

- Taxpayers must use the same method (regular method or alternative simplified method) to calculate the tax credit for Iowa purposes as used to calculate the tax credit for federal purposes.
- The tax credit must be claimed on a timely filed return, including extensions. If timely claimed, a taxpayer may not amend their return to increase the amount of the Research Activities Tax Credit unless the amended return is filed within six months of the due date for filing, including extensions, or the increase results from an audit.
- The refundable portion of the tax credit that exceeds the tax liability is limited.
- The following criteria were enacted for calculating qualified research expenses in Iowa:
  - Wages paid to an employee for qualified services constitute qualified research expenses in Iowa only if the services are performed in Iowa and if, during the period of the tax year that the business is engaging in one or more research projects, a majority of the total services performed by the employee for the business are directly related to those research projects.
  - The “substantially all” rule for determining qualified services as described in IRC section 41(b)(2)(B) and Treasury Regulation 1.41-2(d)(2) does not apply.
  - Amounts paid for the right to use computers as described in IRC section 41(b)(2)(A)(iii) are not qualified research expenses in Iowa.
  - Amounts paid for supplies as defined in IRC section 41(b)(2)(C) constitute qualified research expenses in Iowa only if the supplies directly relate to research performed in Iowa. These are limited to the following percentages: 80% for tax years beginning on or after January 1, 2023, but before January 1, 2024, 60% for tax years beginning on or after January 1, 2024, but before January 1, 2025, 40% for tax years beginning on or after January 1, 2025, but before January 1, 2026, and 20% for tax years beginning on or after January 1, 2026, but before January 1, 2027. These expenses will not qualify for tax years beginning on or after January 1, 2027.

As noted above, the Research Activities Tax Credit and Supplemental Research Activities Credit have been repealed effective January 1, 2026. The credits may still be claimed for tax years beginning on or after January 1, 2025 but before January 1, 2026. The tax credits will be fully repealed on January 1, 2027.

Research Activities Tax Credit

The regular Research Activities Tax Credit equals 6.5 percent of qualified research expenditures that exceed the larger of a base amount or 50 percent of current year expenditures.

For example, consider a company with a base research amount of $5 million that conducts $10 million in qualified research in Iowa during calendar year 2021. The company is eligible to claim a tax credit equal to 6.5 percent of its incremental research expenditures.

2021 Qualified Research Expenditures:		$10,000,000
Base Research Expenditure Amount:	-	$ 5,000,000
Incremental Qualified Research Expenditures:		$ 5,000,000

Research Activities Tax Credit $5,000,000 x .065 = $325,000

The company can claim a Research Activities Tax Credit of $325,000 against its income tax liability.

For tax years 2010 or later, eligible companies may use the regular method (using IA 128) or the Alternative Simplified Research Credit method (using IA 128S) to calculate their tax credit.

Supplemental Research Activities Tax Credit

Iowa Code section 15.335 (2025) specifies that for High Quality Jobs awards, the amount of the supplemental tax credit depends upon the annual gross revenue of the business. Under the regular calculation method, businesses with annual gross revenues of less than $20 million can claim a supplemental credit up to an additional 10 percent of qualifying incremental research expenditures made in the state. For businesses with annual gross revenues of $20 million or more, the supplemental tax credit is up to an additional 3 percent.

Companies claiming the Supplemental Research Activities Tax Credit must compute the supplemental credit using the method they used to compute the Research Activities Tax Credit, either the regular or the alternative simplified method.

Claiming the Tax Credit

In addition to filing the IA 1040, for individuals, or form IA 1120, for corporations, all claimants must complete the IA 148 Tax Credits Schedule and one of the following supporting forms in order to report earning a Research Activities Tax Credit:

- Form IA 128 – Iowa Research Activities Tax Credit (Regular Calculation Method), or
- Form IA 128S – Iowa Alternative Simplified Research Activities Tax Credit.

Although Research Activities Tax Credits are only applicable for qualifying business research expenditures, individuals with an ownership interest in pass-through entities such as limited liability companies, S corporations, and partnerships may qualify to claim a portion of the tax credits reported as earned by one or more businesses. Both the Research Activities Tax Credit and the Supplemental Research Activities Tax Credit are refundable, which means the taxpayer can claim the entire tax credit even if the claim exceeds current year tax liability.

The Department uses the information provided on the forms listed above and the IA 148 Tax Credits Schedule to obtain the data for this report. Some data from tax returns processed between January 1, 2025 and December 31, 2025 may be missing from the report since data from returns filed on paper may not yet have been entered into the tax credits database. Although the Department has reviewed the data for obvious computational errors and made any necessary corrections, not all returns and forms have undergone a formal audit.

Summary of Research Activities Tax Credit Claims, Refunds, and Expenditures

Important Note Concerning Year-Over-Year Comparisons
In 2023, the Department implemented the third phase of its multi-year effort to modernize its tax administration technology and processes. As a result of these changes, the method of reporting Research Activities Tax Credits and Supplemental Research Activities Tax Credits in this annual report changed. Prior to the 2023 annual report, Research Activities Tax Credits and Supplemental Research Activities Tax Credits were included in the annual report based on the date the claim was *filed* by the taxpayer. Under modernized procedures, these tax credits are included in the annual report based on the date the return is *processed;* this means, the date on which the claim was verified in agency administrative data systems as a complete claim. For this reason, year-over-year comparisons or conclusions about trends in Research Activities Tax Credit and Supplemental Research Activities Tax Credit claims from data in this annual report should be made with these considerations in mind.

The following is a summary of Research Activities Tax Credit and Supplemental Research Activities Tax Credit claims processed between January 1, 2025 and December 31, 2025 by the tax type against which the tax credits were claimed.

Table 1. Research Activities Tax Credit Claims
1/1/2025 - 12/31/2025

	Tax Credit Claims					
	Individual		Corporation		Total	
	Number	Amount	Number	Amount	Number	Amount
Research Activities Tax Credits	1,012	$3,482,275	231	$45,912,555	1,243	$49,394,829
Supplemental Research Activities Tax Credits	0	$0	1	$394,841	1	$394,841
Total Research Activities Tax Credits	1,012	$3,482,275	231	$46,307,395	1,243	$49,789,670

Source: Iowa Department of Revenue IMPACT Tax Data
Note: Tax credit claim numbers are preliminary

The number of claims fell in 2025 due to a decrease in the number of returns filed by pass-through entities and processed during the calendar year. Table 2 shows, by tax year for which claim was filed, the number of claims that were filed and processed during calendar year 2025 and the amount of Research Activities Tax Credit and Supplemental Research Activities Tax Credits claimed.

Table 2. Number of Taxpayers that Claimed Research Activities Tax Credits During Calendar Year 2025 by Tax Return Year

Tax Return Year	Number of Taxpayers Filing	Research Activities Credit and Supplemental Research Activities Tax Credits Claimed
2016	*	$48,417
2017	*	$14,047
2018	*	$0
2019	*	$13,306
2020	*	$2,404
2021	14	$2,496,489
2022	40	$27,525,422
2023	185	$14,556,064
2024	800	$5,133,521
Total	1,047	$49,789,670

* 10 or fewer taxpayers
Source: Iowa Department of Revenue IMPACT Tax Data
Note: Tax credit claim numbers are preliminary

Tax credit refunds reflect the portion of tax credit claims which exceeded the taxpayers' Iowa tax liability on both original and amended returns processed during calendar year 2025.

Table 3. Research Activities Tax Credit Refunds
1/1/2025 – 12/31/2025

	Tax Credit Refunds					
	Individual		Corporation		Total	
	Number	Amount	Number	Amount	Number	Amount
Research Activities Tax Credits	208	$1,281,045	144	$16,887,148	352	$18,168,193
Supplemental Research Activities Tax Credits	0	$0	1	$394,841	1	$394,841
Total Research Activities Tax Credits	208	$1,281,045	144	$17,281,989	352	$18,563,034

Source: Iowa Department of Revenue IMPACT Tax Data
Note: Tax credit refund numbers are preliminary

Businesses completing qualified research in Iowa must report those expenditures in order to calculate the Iowa Research Activities Tax Credits earned. Iowa research expenditures were reported by 432 Iowa businesses on the IA 128 and IA 128S tax credit forms processed during calendar year 2025, including any amended returns. These are businesses that report conducting research in Iowa. If the business reporting research is organized as a pass-through entity, its tax credits are claimed by individual taxpayers; i.e., by the proprietor, partners, or shareholders of the pass-through entity. The expenditures reported on forms processed in 2025 totaled $2.1 billion with wages totaling 74.7 percent of the total research expenditures. The Research Activities Tax Credits and Supplemental Research Activities Tax Credits resulting from the research expenditures in Iowa averaged $0.026 per dollar of qualifying research. Note that the criteria for qualified research expenses in Iowa changed for tax years beginning on or after January 1, 2023.

Table 4. Iowa Research Activities Tax Expenditures from IA 128 and IA 128S Forms Processed During Calendar Year 2025

Number of Forms IA128 and IA128S Filed	Total Iowa Qualifying Research Expenditures	Iowa Research Expenditures on Wages	Wage Share of Total Iowa Research Expenditures	Total Research Activities and Supplemental Tax Credits Reported	Tax Credits Reported per Dollar of Research Expenditures in Iowa
432	$2,071,987,596	$1,547,999,633	74.7%	$54,892,605	$0.026

Source: Iowa Department of Revenue IMPACT IA 128 and IA 128S Databases

The Research Activities Tax Credits and Supplemental Research Activities Tax Credits reported during 2025 as being earned by businesses filing IA 128 and IA 128S forms are greater than the amount claimed. It is possible that some of the claims made in 2025 were passed through from entities which reported their expenditures in a prior year. In other cases, the claims will either be verified or billed after the Department receives the information needed to determine if they qualify for the credit. For these reasons, claims reported in Table 1 do not exactly match credits reported as earned as shown in Table 4.

Summary of Selected Companies Reporting Earning Research Activities Tax Credits

Between January 1, 2025 and December 31, 2025, twelve companies reported earning a Research Activities Tax Credit in excess of $500,000, including any reported Supplemental Research Activities Tax Credit. The information for these companies is provided below. The amount shown is the amount of Research Activities Tax Credits that have been reported as earned by the company according to the IA 128 or IA 128S filed by the company. In the case of pass-through entities, actual claims may be less than this amount if not all shareholders claimed their share of the tax credit reported as earned. It is possible that some of the listed companies reported earning additional credits for different tax years that did not meet the threshold for reporting. Some companies included may be pass-through entities. The credits from a pass-through entity may be claimed by individuals and those amounts would be included under individual claims in Table 1. There is one business that met the requirements for the first time since the report was first published for calendar year 2009, although this may reflect the reorganization of a company previously appearing in the report.

Table 5. Companies Earning Research Activities Tax Credits Over $500,000
1/1/2025 – 12/31/2025

Claimant	Amount Earned
RTX Corporation	$12,354,987
Deere & Company	$11,932,472
John Deere Construction & Forestry	$4,525,403
Vermeer Manufacturing Co.	$1,664,032
HNI Corporation	$1,609,473
Skyworks Solutions, Inc.	$1,587,925
SSAB Holding, Inc.	$1,329,286
Syngenta Corporation	$958,729
CNH Industrial America, LLC	$724,711
Beckman Coulter, Inc. & Affiliates	$650,008
HNI Services, LLC	$606,647
The Andersons, Inc.	$542,655
Total Earned	$38,486,328

Source: Iowa Department of Revenue IMPACT IA 128 and IA 128S Databases
Note: The tax credit earned amount includes both the Research Activities Tax Credit and Supplemental Research Activities Tax Credit that were reported during calendar year 2025 on the IA 128 or IA 128S.